

Home Owners and Taxation

By JOHN HANNA

HOME-OWNERSHIP is a problem; a subject of much discussion in recent years. As to why it is a problem does not seem to enter into the discussion to any great degree. It would seem to be as natural for a man to build his house as for a bird to build its nest in the springtime. So, why the problem? To one who has lived most of a long life in a growing city, Detroit, it presents some aspects which provide food for thought; if nothing more. He can remember that in his early years it was not felt to be such a problem; it was the accepted and usual procedure for the workingman to be buying his home. In some sections of the city it was a common experience to see a portion of a house built upon a lot; its front presenting a blank wall, except for a door at one side, with the evident intention of building to complete the house in the future. Some of these incomplete houses may still be seen—mute evidence of frustrated hopes—but even so they were homes and not dependent for occupancy upon the whim or greed of any landlord. He has seen a continual lessening of this home-owning trait as the city grew larger. In the earlier years there seemed to be no fear of failure to pay for the home although employment was subject to seasonal dullness and "bad times." The larger the city becomes the the larger proportion is composed of the tenant class and "home-ownership becomes a problem."

It is true that the houses of former years were not provided with inside plumbing, electric lights, central heating plant and air conditioning. It is also true that production of building materials in those days was as a meandering brook compared to the torrent of production of today. The wages of former times bear about the same proportion to the wages of today. It should be as feasible to own a home now as then. Some other elements have contributed to make it a problem. Let us examine some of them and begin with the ground.

It requires no elaborate statistics to show that a building site costs much more now, in any growing city, than a similar site would have cost fifty or seventy-five years ago; it is a matter of common knowledge. The main reason is the artificial price caused by speculation in land. We have seen large tracts of land unused until far beyond them the land had been built upon and developed. We still see within the thickly populated parts of the city many lots held out of use or inadequately used, because the title-holders find it more profitable to hold them idle or to wait for a higher price. This compels the home-seeker to go farther out to find a site within his means. It also requires the extension of streets, sewers, lighting, schools, and police and fire protection to a far greater area than would be necessary under a normal system. Even in these extended areas the speculator goes in advance of the home-seeker; many buyers securing title or contract on a lot simply to get the higher price when enough home builders come and the services which they demand are provided. These services are provided and paid for by general taxation and are in no sense the product of the land owner. So much for the part that the land and our treatment of it plays in the problem of home-ownership. Let us turn to the other elements necessary to the building, furnishing and maintenance of a home.

There is not an article that is used in the building of a home, in the furnishing of a home or in the maintenance of a home that is not taxed many times from the time when, as raw material, it is taken from the mine or the forest until it reaches the ultimate consumer. The manufacturer pays a tax on his stock of materials, building and machinery; the business of all transportation agencies, whether railroad or truck, is taxed; the merchant pays a tax on his merchandise, buildings and equipment. Each must add the tax to the price of the goods he sells; thus making a pyramid of taxes concealed in the price, unsuspected by the average buyer, but nonetheless real and burdensome.

There are proposals to exempt from taxation homes up to a certain value. However, this fails to go far enough or deep enough to solve the problem. To exempt homes from taxation at an arbitrary figure would still leave the prospective homeowner subject to the fictitious prices of land brought about by speculation and the practice of holding land out of use for an increase in value. It would still leave him subject to the taxes he must pay on all material used in the building of a home. It would still leave him subject to the tax he must pay

upon everything which goes into the furnishing of a home. It would still leave him subject to the tax he must pay upon everything used in the maintenance of a home. Many of these taxes would be increased to make up for the loss of revenue due to this arbitrary exemption. Thus, the saving to the homeowner would be more apparent than real.

The really effective way to encourage home-ownership would be to exempt from taxation all products of labor and capital—all materials used in the building, furnishing and maintenance of homes, all machinery and equipment used in the production and distribution of these materials, and impose these taxes upon the value of land—in other words, take all ground rent for public purposes. This would reduce the cost of the home-site because it would be unprofitable to hold land out of use waiting for a speculative rise. It would reduce the cost of all materials used in the home.

The proposal to exempt all products of labor and capital from taxation and to take all ground rent in lieu of taxes is based on sound business principles, scientific economics and social justice. The factor which gives value to land, which creates ground rent, is some advantage of location, the growth of population and the consequent public improvements, roads, sewers, schools, parks, lighting, police and fire protection and all the myriad benefits resulting from community activity. As the value of land, or ground rent, is unquestionably the result of these services and public improvements, is it not reasonable to take these values to pay for the public services, instead of allowing the title-holder to keep them? This should be the natural income of government instead of taking from any producer the results of his work or enterprise.

We are disposed to laugh at the taxation of the English and the French of the 17th century when there was imposed a tax upon windows and chimneys with the result that fewer windows and chimneys were used; light and ventilation were sacrificed to evade the tax gatherer! We have not learned much from our histories; we tax everything without thinking that such taxes limit production and use as inevitably as did the taxes of the 17th century.

We hear many eulogies of the home as an institution. Poets, orators and statesmen are quoted in praise of it. It is held up as the place around which clusters the most sacred associations of life. Rightly considered, these are truths which we must recognize even from the standpoint of purest realism. The home is an institution which embodies the highest aspirations as well as the simplest pleasures of the human mind and heart; bringing to full bloom and fruition those innate qualities which are expressed in "The Home."

Home-ownership, "the backbone of the nation!" and we put such burdens on it that the nation is suffering from curvature of the spine with many fractured vertebrae. "Every man's house is his castle," and across the stagnant moat of economic error the taxgatherer comes in the guise of butcher, baker and candlestickmaker and takes his toll.